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VI.

THE FUTURE OF RESUMPTION.

It is now six months since the resumption law of 1875 went into operation, and we have in the letter of Secretary Sherman addressed to the Senate, May 19th, a succinct statement of its immediate results up to that time. By this we learn that the Treasury had redeemed only \$4,133,513 in notes—less, as a matter of fact, than it had received in gold in exchange for notes—and that the “coin reserve” had been increased to \$138,000,000, or about forty per cent. of the outstanding legal tenders. On its face this is an exceedingly satisfactory showing. It demonstrates the remarkable confidence of the public in the capacity and determination of the Government to maintain the redemption of its notes ; it shows that the demand for gold has not been stimulated to the slightest extent by even the shadow of suspicion on this point, and has been determined wholly by the requirements of a very limited class from time to time ; and, in the exhibit of the resources of the Treasury, it gives warrant for the expectation that this confidence will not abate. Were we at liberty to suppose that the situation would remain under the control of the Secretary as completely as it now is, and has been since the opening of the year, we might reasonably hope that the present scheme of redemption is to be a complete and permanent success, and that our currency would remain, what it is practically to-day, a currency of coin—of paper constantly redeemable in gold, and of equal value with gold.

But it can not be denied that there are elements in the situation which are not within the control of the Secretary of the Treasury ; which, on the contrary, are steadily tending to place obstacles in his path, which it will be very difficult, if not impossible, for him to surmount ; and which he himself has acknowledged in the plainest terms to be very formidable. Nor are these elements accidental,

unimportant, or transient. They flow from the very essence of the resumption laws ; they are likely to prove of constantly increasing force, and they can only be removed by radical changes in the statutes. They may be summarily described as the prohibition by the act of May 31, 1878, of the retirement of the redeemed notes, and the accumulation of standard silver dollars in the Treasury under the famous silver law of February 28th, of the same year.

There is no doubt that the resumption clause of the act of 1875 was intended by its author, Judge Edmunds, of Vermont, to provide for the permanent and absolute retirement of redeemed United States notes, but that construction was not so clearly expressed but that Mr. Sherman, then senior Senator from Ohio, and chairman of the Finance Committee of the Senate, felt himself justified in declining to maintain it in debate. The law, as passed, left this point undecided, and gave to the enemies of resumption, aided by its timid or lukewarm friends, the opportunity which they afterward seized to force upon the Treasury the law of 1878. Under this law, forming an integral part of the legislation regulating redemption, the United States notes were not to be *paid*, in any ordinary acceptation of that word, since the payment of a promissory note, whether that of an individual or that of a government, involves its cancellation and the termination of its legal existence ; they were simply made exchangeable, at par, on presentation, for coin. The distinction is a vital one, and can not be too much insisted on. By the redemption law, as Judge Edmunds intended it, the notes of the Government were to be paid, retired, canceled, destroyed. They were to pass for ever from the currency, to be replaced by gold. The Government, by the operation of this law, was gradually to take its heavy and unsteady hand off the financial affairs of the country ; it was to withdraw from the exercise of the function of currency-making which had become so dangerous and had worked so much mischief ; it was to leave the business of the country to regulate itself by the laws which are higher than the laws of Congress, simpler and far safer ; in a word, the forced war loan, which had been levied in the form of legal-tender notes, was to be paid, and the Government was to leave to the business community the freedom which is its right.

But by the law, as it was amended in 1878, nothing of this kind was provided for. So far from the notes being paid, they were expressly directed to be reissued ; they were made a perpetual element, and the controlling one, in the currency ; the Government

was maintained in the position which it had been forced to take, and had taken so reluctantly, as the manufacturer of paper money; and the vast disturbing influences, the fearful uncertainties, the incalculable dangers arising from the interference of the political power with the financial system of the nation, were not only not put an end to, but were expressly continued. As far as Mr. Sherman himself is concerned, it would be a waste of sympathy to commiserate him for any difficulties to which he may be subjected, for no one is so largely responsible for their existence as himself. Although for twenty years the present Secretary has been intimately connected with the finances of the Government ; although, during that time, he has had a voice of constantly increasing influence, and, of late, a controlling voice, in shaping the policy that has been adopted, he has never had, and has not now, a clear idea of the principles by which finance is governed. He has, it is true, learned much, but he is still deplorably and even ludicrously ignorant regarding certain fundamental truths. He has never understood, and does not now understand, that the legal-tender notes are a debt, and nothing else, and that the arbitrary quality of money, which was given them by the legal-tender provision, was a device to make borrowing by their means easier. He has always been hopelessly confused as to the strict constitutional power and as to the equitable obligation of the Government with reference to these notes. At times he has had a dim sense of the economical enormity involved in making evidences of debt serve the purposes of money, when they were not worth their face value ; but he still cherishes the illusion that the entire duty of the Government is discharged when it maintains these notes at what he is pleased to call a "parity with coin." He easily forgets, if he has ever clearly grasped, the great dangers to which a legal-tender government currency, imperfectly redeemable, exposes the entire business of the country.

It would be easy, were it necessary, to cite page after page from his speeches and reports, to support the view of his position toward the legal tenders which we have indicated, but it is not necessary. He would himself be the last to deny that he has for a long time contemplated with satisfaction the continued existence of a government currency, and that his utmost hope or desire with reference to such a currency is to keep it redeemable in coin, or as he expresses it "equal to coin." What that "coin" shall be, and what the relations of the different metals of which it is composed, we shall discuss further on. At present, we desire to fix attention

upon the fact that the Secretary has not advocated the permanent retirement of a government paper currency.

Obviously Mr. Sherman's notion as to a government currency is very different from that of the "fiat-money" men. He believes in the necessity and duty of redeeming government notes; but the misfortune is, that he does not recognize the enormous if not insuperable difficulty, under our system of government, in maintaining redemption uninterruptedly; and the further and greater misfortune is, that he practically concedes the authority of the Government to keep in circulation its own notes as legal tender. From this position the "Greenbackers" pure and simple draw great comfort and encouragement. They take Mr. Sherman's concession as to Government authority and as to the advantages of a government currency, and they reject his condition of perpetual redeemability. They say that if it is right and well to keep sixty per cent. of the legal-tender notes uncovered by a coin reserve, it is just as right, and more profitable, to so keep the whole of them; that the fiat of the law which makes money of \$210,000,000 of promissory notes for which the Treasury holds no coin equivalent, can equally make money of \$350,000,000. They go a step further, and declare that if a paper currency of nearly \$700,000,000 can be kept at par with the present reserve held by the Treasury and the banks, it could be kept at par if issued entirely by the Government and without a reserve. Doubtless this is nonsense; but it is very popular and dangerous nonsense, to which the only complete response is, that government paper and bank paper alike is simply evidence of debt, and that, as far as the Government's share is concerned, the supreme duty is to pay it as rapidly as possible, and meanwhile to take all necessary measures to make it actually worth its face value. So long as the Government entertains and acts upon the fascinating fallacy that it is a part of its business to furnish its notes as currency, these errors will be continually propagated. It will always be easy for demagogues to hold out to the needy and unthinking the tempting hope that prosperity can be secured by "more money," meaning by that delectable phrase more government notes, which cost nothing, and pay debts.

And as, under the theory which Mr. Sherman's loose conceptions sustain, the regulation of the currency depends upon the action of Congress, which in its turn depends upon the variations of public opinion, the extreme difficulty of keeping the notes continually redeemable is apparent. It is still more apparent when we

remember by what lucky accidents we have been kept from an unlimited issue of paper money within the last ten years. Since Mr. McCulloch's policy of paying—not exchanging—legal-tender notes was abruptly broken up by Congress, we have never seen the time when a majority in both Houses was firmly in favor of the retirement of the legal tenders. Even the Congress which passed the so-called "resumption act" of 1875 intended no such policy. On the contrary, that act was the result of a compromise, the parties to which interpreted it each one to suit itself, and which the inflationists clearly meant should leave the right to issue legal tenders undenied, and the duty of retiring redeemed notes unasserted. At one memorable crisis, the actual increase of the legal tenders was enacted by Congress, and was prevented only by the power which the Constitution gives to a minority exceeding a third of either House when aided by the veto of the President. In that instance the veto of General Grant, though of incalculable value in effect, was not based on any clear financial convictions, and its issue was for some time very doubtful, and at one moment was more than doubtful. Again, under the administration of the Treasury by Messrs. Boutwell and Richardson, the amazing doctrine was announced and partially acted upon, that the notes redeemed by Secretary McCulloch formed a part of the "reserve" of the Treasury, to be issued at the discretion of the head of the Department. This doctrine, though roundly condemned by the Finance Committee of the Senate, was never disowned by Congress; and, before the passage of the act of May 31, 1878, which fairly established it upon the statute-book, it remained the unwritten but undisputed law of the country.

And it must not be forgotten that the current of opinion in Congress, even since the passage of the resumption act, has been toward, not away from, inflation, and the passage of the law of 1878 was an unmistakable tide-mark, showing to what a dangerous point the current had then advanced. We are justified, therefore, in saying that, so far as concerns the actual legal provision for a sound currency, the situation is a very insecure one, and it is equally plain that for this fact the incomplete conceptions and fatal concessions of Mr. Sherman are largely responsible. We now have laws which direct the redemption, on presentation, of the United States legal-tender notes in coin, and which clothe the Secretary of the Treasury with power to provide coin for such redemption to the extent that he can command surplus revenue, or can borrow on bonds at par, bearing interest at not more than five per cent.;

but we also have laws which direct the Secretary to reissue and keep in circulation all the notes so redeemed, and all these laws are liable to repeal or modification whenever a majority of Congress, with the President, shall determine. That such a solution of the currency problem is not a safe, satisfactory, and permanently favorable one, must be obvious to every sensible observer. It leaves the right of Congress to issue legal-tender notes, if not conceded, at least undenounced ; it leaves the volume of authorized government paper undiminished ; it provides no mode of diminishing it ; it leaves the means of continued redemption at the discretion of the Secretary of the Treasury for the time being ; and, finally, it exposes the whole scheme to modification or repeal by Congress and the President.

Another and very important element of danger is found in the nature of the coin in which the legal-tender notes are by law, for the time being, redeemable. The process of redemption has gone on so smoothly so far, the public has found gold awaiting the holders of legal-tender notes at the sub-Treasury in New York, and sees so little reason for thinking that gold will not always be there on demand, that the actual provisions of law, and their effect upon the Treasury, are lost sight of. As a matter of fact the legal tenders are redeemed in gold solely because the Secretary of the Treasury, in the exercise of a discretion nowhere distinctly conferred upon him, has chosen to say that they shall be so redeemed. By law they are redeemable in "coin," and "coin" means equally gold and silver. The decision of the Secretary that gold, and not silver, shall be paid out at the sub-Treasury is one which all friends of an honest and sound currency must approve, which has been of incalculable advantage to the country, and has protected us from an immediate, complete, and disastrous failure of resumption ; but it is, nevertheless, an arbitrary decision, which is not sustained by the letter of existing laws, and which it would be very easy to condemn, with much show of reason, as contrary to their spirit. It can not be fairly denied that when Congress made the standard silver dollars a full legal tender, and directed their coinage in considerable amounts, it did not intend that, when coined, they should be piled up in the vaults of the Treasury, and it did intend that they should be paid out without discrimination by the Government. Were they so paid out, were it once understood that a holder of legal tenders, or of coupons, or of called bonds, presenting them for payment, was liable to receive a certain proportion of his dues in silver dollars,

the intrinsic value of which is only eighty-five or eighty-seven cents each, it is easy to see what would be the effect, not only on the legal-tender currency, but upon all forms of the public debt. It would be disastrous, and to an extent which no one can measure.

Happily, in our much-governed land, where statutes increase by the thousand each year, and where the legal maxim, that every man must be supposed to know the law, is an absurd assumption, the public reasons as to what the law provides by what actually takes place. As the United States notes are redeemed in gold it is assumed, without question, that the law requires redemption in gold, and that they will continue to be so redeemed. But this is an illusion which may be, and which, if the law is not changed, must be, sooner or later rudely dispelled. While under the order of the Secretary of the Treasury, as arbitrary as the vermilion edict of the Emperor of China, United States notes are being exchanged for gold whenever presented, there is being gathered into the Treasury a constantly increasing amount of depreciated silver dollars, which by law are legal tenders for all debts, including the government notes. It is only a question of time whether this volume of silver will rise high enough to break down the barrier opposed by the will of the Secretary, and force its way into the currency of the country. The Secretary holds it confined now, and he undoubtedly will continue so to hold it as long as he can, or as long as he maintains the idea of his duty regarding it which he now entertains. But it can not be denied and ought not to be forgotten that he is pursuing his present policy not because the law authorizes him to do so, but because no law prevents him. Every week adds to the difficulty of his task, since with every week the silver dollars are increased by half a million.

In the mean time other forces tend to embarrass him. Apart from what Congress may actually do to take his hand from the floodgate, there is the possible influence of the political agitation for silver, which may be considerable. Mr. Sherman is a patient politician, and, where he is sure of results, he is not without tenacious courage, but he is not a man to face difficulties while they are yet in the distance. He has a profound respect for that unknown quantity, the floating vote, and he regards with a superstitious dread any body of voters of whom he imagines that they hold the balance of power in a doubtful election. It is for this reason, probably, that the Republican State Convention of Ohio, which met on the 28th of May, and which was unquestionably directed by his friends, was made or allowed to keep complete silence as to the sil-

ver movement which had then reached a crisis in Congress, and had achieved a very important and substantial victory.

It is an open secret that Mr. Sherman has aspirations for the Presidency. We shall not do him the injustice to suppose that he would consciously allow them to warp his convictions of official duty, or cause him to yield to any policy which he believed injurious to the country. But unfortunately his convictions as to silver are no more clear and firmly settled than his convictions as to Government paper money, and it is by no means impossible that they may waver under the stress of any apparently powerful movement which threatens danger to the realization of his hopes. The humming of the Presidential bee in their bonnets has confused the minds of men more clear-sighted and of more decided views than he. Should he take it into his head that the votes of the silver men could be won by a partial surrender of his present very difficult position as the arbitrary guardian of the silver in the Treasury, it is by no means certain that he would not make such concession as would ultimately prove fatal. Hitherto he has always acted far beyond what his public utterances could have led us to expect, and he is entitled to respect for the firmness with which he has done so. But the very fact that he is not stiffened, if we may use the word, by the requirements of consistency with his public declarations, and that he can yield a little, or indeed a good deal, without incurring the dread charge of "stultification," makes him the more liable to yield. As he is the self-appointed custodian of the silver reserve, as it is by his own unforced resolution that silver is kept out of the currency, as he can give way at any moment without violating the law, and in truth with greater regard for the actual statutes than he shows in remaining firm, we are compelled to take note of those peculiarities of his character and his political position which make it possible that he may change his policy. And, as we have indicated, these are not insignificant.

But, though we put aside, in order to call attention to this phase of the subject, the possibilities of legislation by Congress, when we come to regard these possibilities we find that they are of the gravest kind. The Warner silver bill, when it passed the House of Representatives, was stoutly opposed by the Republicans, and on its final passage received only four votes from that party. But while it was pending an amendment was proposed by a "National Greenback" leader (they are all leaders, for that matter), by which "the Secretary of the Treasury is directed and required to cause to

be paid out, without discrimination, standard silver coin belonging to the Government, which may at any time be in the Treasury, the same as gold coin, in liquidation of all kinds of money obligations against the Government." The amendment was adopted by a vote of 142 to 75, which was within three votes of two thirds of the House at the time. This vote is one of the most significant and one of the most ominous that has been given on the silver question since the passage of the law now on the statute-books. It shows that, whatever may be the position of the Republican party on the question of free coinage, that party can not be always relied on to sustain the Secretary in his present course. It shows, too, that the defection in the Republican ranks on this point is so great that, should a simple law embodying the substance of this amendment be proposed in Congress, it would not only be very likely to pass, but, even should it be vetoed by the President—something more desirable than certain—it would be quite possible that it would be passed over the veto. And this possibility will grow greater as time passes and the silver in the Treasury continues to gather.

Here, then, are the contingencies with reference to resumption which the country must face, and in regard to which public opinion ought to be enlightened in every possible manner. We have a scheme of redemption which is excessively defective ; which provides not for the payment and withdrawal of the legal tenders, but simply for their exchange at par for "coin" ; we have as a constantly increasing part of the "coin" depreciated silver dollars, the use of which, in redemption of the notes, would completely derange if it did not overturn the scheme ; we have, as a safeguard against this danger, only the will of the Secretary of the Treasury, which may be weakened by political considerations, or overridden by the action of Congress ; and we have in the country no political organization fairly and completely committed to the policy of permanent redemption in gold. We submit that this situation is one which can not be safely met by a policy of *laissez aller, laissez passer*, but only by the most vigorous efforts to awaken a public opinion that shall insist upon its complete reform.